

# 50<sup>th</sup> REPORT

of  
Washington State Liquor Control  
Board



July 1, 1982  
to  
June 30, 1983

## DEFENDANT'S EXHIBIT

CASE  
NO. C04-0360P

EXHIBIT  
NO. 493

Resp to Costco RFP  
8292

## WASHINGTON STATE LIQUOR CONTROL BOARD

Chairman of the Board ..... ROBERT D. HANNAH  
Member of Board ..... L. H. PEDERSEN  
Member of Board ..... KAZUO WATANABE  
Atty. Gen. Division, Asst. Attorney General ... JOHN HENNEN  
Information and  
Public Records Officer ..... WILLIAM R. BURKETT, JR.  
Financial Division, Controller ..... JAMES E. HOING  
Enforcement Division, Chief ..... ROBERT D. OBENLAND  
License Division, Supervisor ..... RAY HENSEL  
Manufacturers, Importers and  
Wholesalers Division, Supervisor ..... J. A. HALSTROM  
Personnel Division, Supervisor ..... CHARLES I. BRANDNER  
Purchasing Division, Supervisor ..... ROBERT H. HARVEY  
Stores and Agencies Division, Supervisor .... LOWELL HANSON  
Distribution Center, General  
Manager ..... RICHARD FOLTZ

## Summary of Operations

### Background

The history of liquor in America reflects three dominant views on public policy about its use:

1. The Colonial View: Drinking is a valued social custom; abuse is a character aberration; the proper policy is punishment of the abuser.
2. Temperance View: Liquor, especially spirits, is an addicting poison: The proper policy is to abolish all sales.
3. Alcoholism View: Abuse is a disease; treatment of those affected is the proper policy.

All three had their vogue; all three, in varying degrees, are found in present public policy.

The control-state concept provides an administrative basis for dealing with each of the formerly dominant views on alcohol policy to the extent they proved valid.

The control-state concept was espoused by a Columbia University-based study group near the end of Prohibition. The group postulated that the environment in which liquor is presented is key, and strict control by each state of liquor commerce is the proper policy.

Washington, along with 17 other states, has maintained a control state system for the half century since Prohibition.

A three-member Board, appointed by the Governor and confirmed by the Senate, "for protection of the welfare, health, peace, morals, and safety of the people of the state," directs the activities of the Washington State Liquor Control Board.

Chairman Robert D. Hannah, and Board Members L. H. Pedersen and Kazuo Watanabe, continued in office this fiscal year.

The Board operates a statewide network of state stores and agencies, and regulates private retailers, wineries, breweries, beer and wine wholesalers, and liquor representatives.

### Significant Developments

In this period, the Board successfully concluded a historic first concurrent jurisdiction liquor-control-agreement with an Indian tribe, the Muckleshoot. At year-end, efforts were proceeding to strike agreements with the other liquor selling tribes.

The Board also actively supported AWARE, an association of liquor industry trade groups who are attempting to bring its resources to bear on problems associated with alcohol abuse.

The Board continued its liquor-moderation public information campaigns, in cooperation with other interested state agencies. Last



holiday season saw a significant drop in alcohol-related injuries and deaths, as well as a significantly reduced incidence of drivers operating under the influence of liquor.

#### Regulatory Services

The Enforcement Division is comprised of 67 commissioned officers who cover the entire state working out of six regional offices and fifteen district offices. The division's major responsibilities are: investigation of applicants for new and transferring liquor licenses, ensuring the licensed enterprise is totally owned, managed and controlled by the licensee of record, preventing the overservice of liquor and sale of liquor to persons under 21 years of age, responding to citizen and law enforcement complaints, and ensuring that licensees manage and control their businesses, employees and patrons in harmony and compliance with liquor laws to provide a safe atmosphere for the public. During the past fiscal year, 371 persons were arrested for various liquor violations and 320 administrative violation notices were issued to various licensees. Additionally, Board officers received and investigated 2,233 complaints of alleged liquor violations.

The Board works with the liquor industry and local law enforcement to achieve an ideal of voluntary compliance with liquor laws and regulations. The Enforcement Division works with and through licensees and local law enforcement, providing education and training on liquor-related problems free of charge.

All Enforcement Division officers attended a training seminar where they were given an overview of what alcohol is, what it does, what problems it creates and how these problems can be addressed in the context of overservice prevention in licensed establishments. Officers learned how liquor affects judgment and physical coordination. They were given tips for bartenders, waitresses, etc., in recognizing and dealing with intoxicated persons and how to refuse service to an apparently intoxicated customer. Management techniques for training employees were also a part of the course.

Board enforcement officers presented 524 identification training classes attended by 8,624 liquor licensees and employees during the past fiscal year. Additionally, 67 classes on liquor laws were attended by 2,146 law enforcement personnel.

#### Liquor Revenues

Revenues derived from the state sale of liquor have climbed steadily over the last 49 years, relieving the general taxpayer of a significant tax burden each year, and contributing heavily to state, city, county and school programs. Revenue from the state liquor

control system exceeded \$143 million in fiscal year 1983. Including liquor sales, license fees, lottery tickets and all other operations, a net of \$56.2 million was returned, to relieve the taxpayer of a comparable tax burden. Sales taxes of \$87.5 million brought the total liquor revenue in fiscal 1983 over \$143 million.

When computed on the basis of residents old enough to consume liquor, the state liquor control system produced a return to the government of \$49.07 per person.

#### Financial Summary for Fiscal Year Ending June 30, 1983

	Percentage Increase/Decrease From FY 1982
Gross Liquor Sales	.....\$331,313,536.91
Net Revenue	.....56,221,549.07
Sales Tax Collected	.....87,537,032.32
Total Revenue from Liquor Control	
Board Operations	.....\$143,758,581.39
Total for Distribution to State,	
County and City Governments	.....\$144,399,522.36
	+ .79

#### Merchandising Services

At the end of the fiscal year, there were 180 state liquor stores and 184 state liquor agencies in operation for a combined total of 364 liquor outlets serving the general public throughout the state. Passage of the Steele Act of 1934 places emphasis on control through state sales of package liquor. Board employees maintain a strict identification procedure to prevent sales to underage drinkers and/or inebriated persons. All employees receive comprehensive identification training. A most positive control is that no employee is under any compulsion to sell a single bottle; good service to the bona fide customer is his or her only concern - not "pushing" for sales records. Violation or disregard of established sales procedures by employees of Board liquor outlets results in disciplinary action, the severest being the loss of the employee's job.

#### Case Sales

Total case sales in all categories of spirituous liquor amounted to 4,025,046 cases in fiscal 1983, a decrease from fiscal 1982 of 408,533 cases or 9.2 percent.

#### Lottery Tickets

On August 27, 1983, the Board agreed to sell State Lottery Tickets